

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 DRC-01 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

XMB-04 OPIC-06 FTC-01 EA-10 /127 W

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R 081105Z AUG 75

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 2541

UNCLAS KATHMANDU 3555

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, NP

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

### 1. NARRATIVE STATEMENT:

NEARLY ALL OF THE FOREIGN CAPITAL INVESTED IN NEPAL IS OF INDIAN ORIGIN. THERE HAS BEEN NO SIGNIFICANT DIRECT PRIVATE U.S. INVESTMENT IN NEPAL WITH THE EXCEPTION OF ONE SMALL TOURIST HOTEL LOCATED IN A NATIONAL GAME PRESERVE. NEPAL'S RELATIVE LACK OF NATURAL RESOURCES, TRANSPORTATION STRICTURES, AND LIMITED DOMESTIC MARKET, HAVE BEEN THE PRINCIPAL REASONS FOR THE ABSENCE OF FOREIGN INVESTMENT, DESPITE THE EXISTENCE OF GENERALLY LIBERAL INCENTIVES FOR SUCH INVESTMENT.

THE GENERAL POLICY OF THE GOVERNMENT OF NEPAL IS TO ENCOURAGE FOREIGN PRIVATE INVESTMENT, ESPECIALLY IN IMPORT-SUBSTITUTING AND EXPORT-ORIENTED INDUSTRIES, AND IN TOURISM. NEPALESE REGULATIONS PROVIDE FOR TAX HOLIDAYS OF UP TO 20 YEARS FOR NEW INDUSTRIAL VENTURES DEPENDING ON THE TYPE OF

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INVESTMENT, AND ANNUAL REPATRIATION OF 10 PERCENT OF TOTAL

FOREIGN CAPITAL INVESTED AND 25 PERCENT OF THE GENERATED PROFITS IS PERMITTED. INDUSTRIAL VENTURES WITH INVESTMENTS TOTALING \$500,000 OR MORE MAY BE WHOLLY OWNED BY FOREIGNERS. WHILE 100 PERCENT FOREIGN OWNERSHIP OF VENTURES WORTH FROM \$100,000 TO \$500,000 ARE THEORETICALLY POSSIBLE, PREFERENCE IS GIVEN TO PROPOSALS WITH NEPALESE PARTICIPATION. VENTURES VALUED AT LESS THAN \$100,000 ARE RESERVED TO NEPALESE OWNERSHIP; AND THE GOVERNMENT RESERVES TO ITSELF ENTIRE OWNERSHIP OF DEFENSE INDUSTRIES AND MAJORITY OWNERSHIP OF CERTAIN "BASIC" INDUSTRIES SUCH AS ELECTRIC POWER, STEEL MAKING, FERTILIZER, ETC. NEW INDUSTRIES ARE PROTECTED BY THE LEVYING OF IMPORT DUTIES FOR A MINIMUM PERIOD OF FIVE YEARS ON COMPETING GOODS. CONCESSIONS ON CUSTOMS DUTIES FOR MACHINERY, PARTS AND RAW MATERIALS REQUIRED BY NEW INDUSTRIES ARE ALSO GRANTED, AND FOREIGN EXCHANGE IS PROVIDED BY THE GOVERNMENT FOR THE IMPORT OF SUCH ITEMS. GOVERNMENT ASSISTANCE IS ALSO PROVIDED FOR THE ACQUISITION OF LAND AND THE CONSTRUCTION OF NECESSARY BUILDINGS.

THERE ARE ALSO PROVISIONS, HOWEVER, WHICH PERMIT THE GOVERNMENT TO EXERCISE CONTROL OVER INDUSTRIES IN MATTERS RELATING TO PRODUCTION, PRICES, STANDARDS AND DISTRIBUTION. GOVERNMENT REPRESENTATIVES MAY BE DEPUTED TO OVERSEE INDUSTRIES WHICH DO NOT COMPLY WITH THE GOVERNMENT'S DIRECTIVES. THERE ARE NO SPECIFIC RULES WITH REGARD TO LOCAL EMPLOYMENT. LABOR-MANAGEMENT RELATIONS HAVE BEEN GOVERNED BY PROVISIONS OF THE NEPAL FACTORIES AND FACTORY WORKERS ACT (1959) WHICH SETS STANDARDS RELATING TO COMPENSATION AND GENERAL WORKING CONDITIONS.

THERE IS AN INVESTMENT GUARANTEE AGREEMENT BETWEEN NEPAL AND THE UNITED STATES. PRIVATE INVESTORS INTERESTED IN INSURANCE FOR NEPAL SHOULD APPLY DIRECTLY TO THE OVERSEAS PRIVATE INVESTMENT CORPORATION.

## 2. INVESTMENT STATISTICS:

A. U.S. DIRECT INVESTMENT: HOTEL - \$104,000

B. DIRECT INVESTMENT BY ALL COUNTRIES: NO OFFICIAL  
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FIGURES OR ESTIMATES OF ANY KIND ARE AVAILABLE ON FOREIGN INVESTMENT IN NEPAL. INDIA IS ONLY INVESTMENT SOURCE OF ANY SIGNIFICANCE. ONLY OTHER FOREIGN INVESTMENT IS JAPANESE (IN A HOTEL), ESTIMATED AT \$150,000.

C. DIRECT INVESTMENT BY NEPAL IN THE U.S. : NONE, EXCEPT FOR A SMALL AMOUNT OF PRIVATE PORTFOLIO INVESTMENT FOR WHICH NO FIGURES ARE AVAILABLE. CARGO

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## Message Attributes

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